

## TARIFF ACTION MEMORANDUM

File No.: TA427-32

Date: April 29, 2020

Date Filed: March 24, 2020

Statutory End Date: May 7, 2020

Utility: Homer Electric Association, Inc.

Description: Annual Secondary Service Credit and Secondary Service Fee Revision

Synopsis of Filing:

Homer Electric Association, Inc. submits the annual revision to its Secondary Service Credit and Secondary Service Fee.

**Tariff Recommendation:**

The Commission should approve Tariff Sheet No. 75.2, filed March 24, 2020, by Homer Electric Association, Inc. with TA427-32, as shown on the attached side-by-side tariff sheet (Appendix-1). The effective date of the tariff sheet should be May 7, 2020.

**Reason(s) for the above-indicated recommendation:** See attached memorandum.

Signed: *Steven Jones*  
Steven Jones

Title: Utility Tariff Analyst

---

Commission decision regarding this recommendation:

|          | Date (if different<br>From<br><u>4/29/2020</u> ) | <u>I CONCUR</u>          | <u>I DO NOT<br/>CONCUR</u> | <u>I WILL WRITE A<br/>DISSENTING<br/>STATEMENT*</u> |
|----------|--|--------------------------|----------------------------|---|
| Pickett  |  | <u><i>RMP</i></u>        |                            |   |
| McAlpine |  | <u><i>SM</i></u><br>SM   |                            |   |
| Scott    |  | <u><i>AGS</i></u><br>AGS |                            |   |
| Sullivan |  | <u><i>DS</i></u><br>DS   |                            |   |
| Wilson   |  | <u><i>JW</i></u><br>JW   |                            |   |

\* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

STATE OF ALASKA  
**The Regulatory Commission of Alaska**  
701 West 8<sup>th</sup> Ave., Suite 300  
Anchorage, Alaska 99501-3469

**M E M O R A N D U M**

To: Robert M. Pickett, Chairman  
Stephen McAlpine  
Antony Scott  
Daniel A. Sullivan  
Janis W. Wilson

Date: April 29, 2020

From: Steven Jones, Utility Tariff Analyst

Subject: TA427-32, Homer Electric Association, Inc.  
Annual Secondary Service Credit and Secondary Service Fee Revision

**STATEMENT OF CASE**

Homer Electric Association, Inc. submits the annual revision to its Secondary Service Credit (SSC) and Secondary Service Fee (SSF).

**RECOMMENDATION**

The Commission should approve Tariff Sheet No. 75.2, filed March 24, 2020, by HEA with TA427-32, as shown on the attached side-by-side tariff sheet (Appendix 1). The effective date of the tariff sheet should be May 7, 2020.

**BACKGROUND**

HEA is a member-owned cooperative providing electric service to customers on the Kenai Peninsula. HEA offers primary and secondary service,<sup>1</sup> both single-phase and three-phase,<sup>2</sup> under four classes of continuous service: residential,<sup>3</sup> general,<sup>4</sup> large general,<sup>5</sup>

---

<sup>1</sup> Primary service is electrical service delivered at primary voltage, from the high voltage side of a distribution transformer. See HEA Tariff Sheet No. 16, effective January 5, 2017. Secondary service is electrical service delivered at secondary voltage, from the low voltage side of a distribution transformer. See HEA Tariff Sheet No. 16.1, effective February 25, 2013. Residential service is delivered at secondary voltage.

<sup>2</sup> All HEA service is delivered at 60 Hertz. HEA's single-phase service is three-wire service available at secondary voltage levels of 120/240, 120/208, and 240/480. HEA's three-phase service is four-wire service available at voltage levels of 277/480, 120/208, and 120/240. Service at other than standard voltages may be provided upon special request. See HEA Tariff Sheet No. 19, effective June 1, 2015, Tariff Sheet No. 19.1, effective August 23, 1996, and Tariff Sheet No. 20, effective June 8, 2012.

<sup>3</sup> HEA's Residential Service is single-phase at secondary voltage. See HEA Tariff Sheet No. 77, effective April 1, 2020.

<sup>4</sup> HEA's General Service is single-phase or three-phase at secondary voltage with maximum monthly demand at or below 20 kW during any three consecutive months. See HEA Tariff Sheet No. 79, effective April 1, 2020.

<sup>5</sup> HEA's Large General Service is three-phase at primary or secondary voltage with maximum monthly demand between 20 kW and 1,000 kW during any three consecutive months. See HEA Tariff Sheet No. 80, effective April 1, 2020.

and industrial.<sup>6</sup> There are five types of line extensions: single-phase secondary, single-phase secondary with primary, three-phase secondary, three-phase secondary with primary, and single-phase primary.<sup>7</sup> HEA's current line extension policy was established in TA343-32 and approved with Letter Order No. L1300077.<sup>8</sup> New secondary service extensions meeting the eligibility requirements are eligible for the SSC.<sup>9</sup>

As approved in TA343-32, HEA uses a fee-based calculation which establishes its SSC and SSF for the coming construction season. The SSC is the maximum investment HEA is obligated to make to serve any applicant for service.<sup>10</sup> The SSF is the price paid for secondary service if an applicant does not qualify for a SSC and is equal to the amount of the SSC.<sup>11</sup> Line extension costs that exceed the SSC are the responsibility of the applicant. The SSC and SSF are updated annually.<sup>12</sup>

The SSC is available for construction to sites with a permanent foundation for a dwelling or commercial structure, and where HEA can reasonably expect the service to remain for the useful service life of the newly-constructed service, or sites without an existing permanent foundation, but where the applicant demonstrates that such a foundation will be constructed, unless otherwise approved by HEA.<sup>13</sup>

To receive the SSC, an applicant must submit documentation detailed in a form reasonably acceptable to HEA of the total cost for the service extension, within three months after completion of construction. Assuming HEA accepts the application and determines the applicant meets the eligibility requirements, HEA will refund the applicant the lesser of the actual construction costs or the SSC when it takes title to the service extension.<sup>14</sup>

HEA now submits TA427-32, its annual update to the SSC and SSF. The Commission issued a public notice for TA427-32 on March 26, 2020, with comments requested by April 27, 2020. No comments were received.

---

<sup>6</sup> HEA's Industrial Service is all service delivered at primary voltage for maximum monthly demand between 1,000 kW and 5,000 kW during any three consecutive months. See HEA Tariff Sheet No. 82, effective April 1, 2020. If additional facilities are required to serve the customer, a special contract will be required.

<sup>7</sup> See HEA Tariff Sheet Nos. 41.4 and 44, effective February 25, 2013. Service extensions may be constructed either by HEA or by an HEA-approved contractor at the applicant's request.

<sup>8</sup> See Letter Order No. L1300077, issued February 22, 2013.

<sup>9</sup> See HEA Tariff Sheet No. 40.3, effective June 1, 2015.

<sup>10</sup> *Ibid.*

<sup>11</sup> See tariff advice letter for TA427-32, at page 1.

<sup>12</sup> *Ibid.* Staff notes that HEA filed TA362-32 on April 4, 2014, providing information on the SSC/SSF for 2014; however, the filing was considered informational as there was no change to the rate. Staff also notes that HEA filed TA373-32 on March 31, 2015, TA389-32 on March 25, 2016, TA400-32 on March 31, 2017, TA408-32 on May 31, 2018, and TA416-32 on March 28, 2019, providing information on the SSC/SSF for 2015, 2016, 2017, 2018, and 2019, respectively.

<sup>13</sup> See HEA Tariff Sheet No. 40.4, effective June 1, 2015.

<sup>14</sup> See HEA Tariff Sheet No. 51.20, effective June 1, 2015.

## ANALYSIS

The Commission evaluates proposed revisions to line extensions and service connections under AS 42.05.311<sup>15</sup> and 3 AAC 52.455.<sup>16</sup> A utility's tariff must include the terms and conditions,<sup>17</sup> rates,<sup>18</sup> and methodology<sup>19</sup> used to calculate the rates for line extensions and service connections, and any proposed revision to these non-recurring rates must include cost support.<sup>20</sup>

The SSC offsets the costs of constructing a secondary service extension and imposes a ceiling on the amount of money that HEA will invest in the new line extension. The SSF is the price paid for secondary service if an applicant does not qualify for a SSC and is equal to the amount of the SSC.<sup>21</sup> The Single-Phase SSC and SSF are based on the two-year historical average costs to install single-phase secondary service rounded to the nearest hundred dollars. The Three-Phase SSC is equal to three times the Single-Phase SSC.<sup>22</sup> The calculations for the 2020 Single- and Triple-Phase SSC and SSF are provided in Table 1.<sup>23</sup> UG in Table 1 stands for underground service. OH in Table 1 stands for overhead service.

---

<sup>15</sup> See AS 42.05.311, *Joint Use and Interconnection of Facilities*.

<sup>16</sup> See 3 AAC 52.455, *Line Extensions and Service Connections*.

<sup>17</sup> See AS 42.05.311(c).

<sup>18</sup> See 3 AAC 52.455(a)(1)-(10).

<sup>19</sup> See 3 AAC 52.455(a)(7) and 3 AAC 52.455(d).

<sup>20</sup> See 3 AAC 48.275(b), *Supporting Information*.

<sup>21</sup> See tariff advice letter for TA427-32, at page 1.

<sup>22</sup> *Ibid.*

<sup>23</sup> See Attachment A to tariff advice letter for TA427-32 for figures used in the calculations.

**Table 1**

|   | 2018         | 2019         | Total        |
|---|--------------|--------------|--------------|
| <b>Actual Job Costs</b>                     |              |              |              |
| UG Service (Secondary)                      | \$ 2,865,059 | \$ 1,848,565 |              |
| OH Service (Secondary)                      | \$ 417,824   | \$ 182,470   |              |
| UG Service (OH Secondary)                   | \$ 46,351    | \$ 95,829    |              |
| OH Service (UG Secondary)                   | \$ 10,886    | \$ -         |              |
| Total Actual Job Costs (A)                  | \$ 3,340,120 | \$ 2,126,864 | \$ 5,466,984 |
| <b>Services</b>                             |              |              |              |
| UG Service (Secondary)                      | 533          | 336          |              |
| OH Service (Secondary)                      | 64           | 26           |              |
| UG Service (OH Secondary)                   | 6            | 10           |              |
| OH Service (UG Secondary)                   | 1            | 0            |              |
| Total Services (B)                          | 604          | 372          | 976          |
| <b>Average Cost of Construction (A)/(B)</b> |              |              |              |
|   |              |              | \$ 5,601.42  |
| <b>Rounded to Nearest \$100</b>             |              |              |              |
|   |              |              | \$ 5,600     |
| <b>Single-Phase SSC/SSF</b>                 |              |              |              |
|   |              |              | \$ 5,600     |
| <b>Triple-Phase SSC</b>                     |              |              |              |
|   |              |              | \$ 16,800    |

Staff verified that the amounts presented on Tariff Sheet No. 75.2 reflected the calculation above and therefore believes that the tariff sheet should be approved.

### CONCLUSION

With TA427-32, HEA requests approval of its updated SSC and SSF for the 2020 construction season. Staff has verified the proposed credits and fee were calculated accurately using HEA's approved methodology, the proper support was filed, and the tariff sheet is correct. Therefore, Staff recommends the Commission approve Tariff Sheet No. 75.2, filed March 24, 2020, by HEA with TA427-32. The effective date of the tariff sheet should be May 7, 2020.

Signature:   
Email: bob.pickett@alaska.gov

Signature:   
Email: antony.scott@alaska.gov

Signature:   
Stephen McAlpine (Apr 29, 2020)  
Email: stephen.mcalpine@alaska.gov

Signature:   
Dan Sullivan (Apr 29, 2020)  
Email: daniel.sullivan@alaska.gov

Signature:   
Email: janis.wilson@alaska.gov

RCA No. 32 Fifteenth Revision Sheet No. 75.2

Canceling Fourteenth Revision Sheet No. 75.2



HOMER ELECTRIC ASSOCIATION, INC.

XI. Schedule of Fees and Charges Continued

**SECONDARY SERVICE UPGRADES AND CHANGES:**

As provided in Section 6.2(j) and 6.2(k).

**NEW SERVICE EXTENSION COSTS**

Single-Phase Service  
Secondary Service Fee ..... \$ 5,500.00 R  
Primary Service Charge..... Firm Quote

Three-Phase Service  
Secondary Service Fee ..... Firm Quote  
Primary Service Charge..... Firm Quote

Non-Standard Construction ..... Actual Cost

**SECONDARY SERVICE CREDIT**

Single-Phase Secondary Service Credit ..... \$ 5,500.00 R  
Three-Phase Secondary Service Credit ..... \$16,500.00 R

**PRIMARY UPGRADES AND CHANGES**

As provided in Section 6.2(j) and 6.2(k).

**SERVICE CALL CHARGES:**

During Regular Business Hours ..... \$ 60.00  
After Working Hours ..... \$100.00  
All Damage by Others to Association Facilities ..... Actual Cost

Tariff Advice No: 416-32 Effective: May 13, 2019

Issued By: HOMER ELECTRIC ASSOCIATION, INC.  
3977 Lake Street, Homer, AK 99603

By: Bradley P. Janorschke Title: General Manager

RCA No. 32 Sixteenth Revision Sheet No. 75.2

Canceling Fifteenth Revision Sheet No. 75.2



HOMER ELECTRIC ASSOCIATION, INC.

XI. Schedule of Fees and Charges Continued

**SECONDARY SERVICE UPGRADES AND CHANGES:**

As provided in Section 6.2(j) and 6.2(k).

**NEW SERVICE EXTENSION COSTS**

Single-Phase Service  
Secondary Service Fee ..... \$ 5,600.00 I  
Primary Service Charge..... Firm Quote

Three-Phase Service  
Secondary Service Fee ..... Firm Quote  
Primary Service Charge..... Firm Quote

Non-Standard Construction ..... Actual Cost

**SECONDARY SERVICE CREDIT**

Single-Phase Secondary Service Credit ..... \$ 5,600.00 I  
Three-Phase Secondary Service Credit ..... \$16,800.00 I

**PRIMARY UPGRADES AND CHANGES**

As provided in Section 6.2(j) and 6.2(k).

**SERVICE CALL CHARGES:**

During Regular Business Hours ..... \$ 60.00  
After Working Hours ..... \$100.00  
All Damage by Others to Association Facilities ..... Actual Cost

Tariff Advice No: 427-32 Effective:

Issued By: HOMER ELECTRIC ASSOCIATION, INC.  
3977 Lake Street, Homer, AK 99603

By: Bradley P. Janorschke Title: General Manager